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COAST COPPER COMPANY, LIMITED

Annual Report, 1971

Coast Copper Company, Limited

HEAD OFFICE: TRAIL, B.C.

Directors

R. J. ARMSTRONG

M. H. MASON

R. P. DOUGLAS

S. M. ROTHMAN

W. T. IRVINE

J. H. SALTER

D. G. S. PURVIS

Officers

J. H. SALTER - - - - - President

S. M. ROTHMAN - - - - - Vice-President

F. H. P. DEWDNEY - - - - - Secretary

L. M. McBRIDE - - - - - Assistant Secretary

Transfer Office

THE ROYAL TRUST COMPANY

BENTALL CENTRE

555 BURRARD STREET

VANCOUVER, B.C.

(Mailing Address: Box 2031, Vancouver 3, B.C.)

Auditors

Thorne, Gunn, Helliwell & Christenson

Chartered Accountants

VANCOUVER, B. C.

COAST COPPER COMPANY, LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Company's operations proceeded under difficult circumstances during the year with falling copper prices having a marked effect on the performance.

The Company's financial statements and auditors' report may be found following this report.

Cominco Ltd. continued to act as manager and agent for the Company in the development and operation of your property.

FINANCIAL

Sales for the year, including the market value of copper concentrate available for sale, were \$4,846,200 compared with \$6,261,200 in 1970. The decrease is due almost entirely to the fall in the price of copper. The average price received was 40.0 cents per pound as compared with 51.5 cents per pound in 1970. Net loss for the year was \$372,300 or \$0.12 per share compared with net earnings of \$263,700 or \$0.09 per share in 1970.

Capital expenditures during the year were \$58,000 and consisted of some loading pocket installations on the conveyor system, the purchase of a mobile home and six lots in Port McNeill.

Dividends of \$0.40 per share were paid in 1971 as compared with \$0.45 in 1970.

OPERATIONS

Ore mined during the year amounted to 295,684 tons at 1.97% copper and 0.023 ozs. of gold per ton as compared with 290,911 tons at 2.02% copper and 0.028 ozs. of gold per ton in 1970. Ore throughput at 810 tons per calendar day was at a maximum capacity of the grinding circuit in the concentrator. Most of the production came from the 4500 and 4300 levels in the mine. The grade of ore was affected in the last quarter by waste inclusions in the ore zone which have become more prevalent as mining progresses to the fringes of the main ore zone.

Copper concentrate production available for sale was 23,142 tons at 25% copper compared with 23,899 tons at 23.2% copper in 1970. The grade of the concentrate was improved as the result of using a third stage of cleaning after the magnetite recovery plant closed down in late 1970. Seven shipments were made to Japan during the year.

Production costs were down by \$500,000 from 1970 mainly the result of a reduction in the exploration program as well as increased efficiencies in the operation. The conveyor system operated satisfactorily during the year with a noticeable improvement in the cost of operation after completion of a number of design modifications.

Royalty payments to Empire Development Company were down from the previous year because of the reduced copper price. The royalties are calculated on a sliding scale tied to the price of copper.

EXPLORATION AND DEVELOPMENT

Ore reserves in the Benson Lake Mine at December 31, 1971, were 830,000 tons at 0.02 ozs. gold per ton, 1.6% copper and 31.5% iron, as compared with 1,195,000 tons at 0.02 ozs. gold per ton, 1.7% copper and 31.0% iron, at the end of 1970. Coast Copper Mine ore reserves remain unchanged at 158,900 tons, containing 0.03 ozs. gold, 1.0% copper and 41.1% iron, per ton. Mining from the major production areas failed to meet the ore reserve expectations due to waste inclusions and as a result substantial tonnages were removed from the ore reserves. This reduction was largely offset by new discoveries in a hangingwall zone located 40 feet above the main ore horizon the net effect being a decline of 69,000 tons in addition to the 1971 production.

Because of the low copper prices, exploration development was restricted to a long hangingwall crosscut to provide drill stations to explore below the bottom level of the mine. The drilling did not intersect ore grade mineralization. The program is continuing along a 2,000-foot strike length farther south of the 1970 drilling.

During the year 6,900 feet of drifting and raising and 20,244 feet of drilling were completed as compared with 9,374 feet and 30,502 feet respectively in 1970.

The directors are appreciative of the efforts of the Cominco employees who operated your property in 1971.

ON BEHALF OF THE BOARD

J. H. SALTER

President

March 14, 1972

COAST COPPER COMPANY, LIMITED

STATEMENT OF EARNINGS AND DEFICIT

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
Sales and estimated realizable value of concentrate in transit and awaiting shipment	\$4,846,200	\$6,261,200
Interest Income	<u>92,500</u>	<u>144,400</u>
Total revenue	<u>4,938,700</u>	<u>6,405,600</u>
Production, selling and general expenses (note 1)	4,078,700	4,580,900
Royalty	292,300	435,800
Amortization	199,800	238,200
Depreciation (note 2)	691,900	681,000
Depletion (note 2)	120,000	120,000
Income taxes, including \$86,000 previously deferred	<u>(71,700)</u>	<u>86,000</u>
Total expense	<u>5,311,000</u>	<u>6,141,900</u>
NET (LOSS) EARNINGS FOR YEAR - (12 cents) per share; 1970 - 9 cents	(372,300)	263,700
Deficit at beginning of year	<u>1,812,300</u>	<u>720,500</u>
	2,184,600	456,800
Dividends paid - 40 cents per share; 1970 - 45 cents	<u>1,204,900</u>	<u>1,355,500</u>
DEFICIT AT END OF YEAR	<u>\$3,389,500</u>	<u>\$1,812,300</u>

COAST COPPER

(Incorporated under the laws of the State of Nevada)

BALANCE SHEET

(with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and short-term investments	\$ 912,900	\$ 1,605,200
Accounts receivable	23,500	16,700
Concentrate on hand and in transit and outstanding settlements valued at estimated net amounts receivable	706,000	612,000
Stores and materials, at cost less allowance for obsolescence	363,000	428,200
Prepaid charges	17,300	17,800
	<u>2,022,700</u>	<u>2,679,900</u>
SUNDRY ASSETS		
Preproduction and mine development, net of amortization	748,500	948,300
Non-current mortgages receivable	120,100	115,200
	<u>868,600</u>	<u>1,063,500</u>
FIXED ASSETS (note 2)		
Land, buildings and equipment, at cost less amounts realized on sales	9,746,400	9,702,400
Less accumulated depreciation	2,784,700	2,092,800
	<u>6,961,700</u>	<u>7,609,600</u>
 Mining properties, at cost	 2,567,000	 2,567,000
Less accumulated depletion	300,000	180,000
	<u>2,267,000</u>	<u>2,387,000</u>
	<u>9,228,700</u>	<u>9,996,600</u>
	<u>\$12,120,000</u>	<u>\$13,740,000</u>

Approved by the Board

J. H. SALTER
R. J. ARMSTRONG } Directors

MPANY, LIMITED

Province of British Columbia)

CEMBER 31, 1971

res for 1970)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1971</u>	<u>1970</u>
CURRENT LIABILITIES		
Amount owing to Cominco Ltd. (Shareholder)	\$ 399,000	\$ 325,800
Accounts payable and accrued liabilities	49,000	79,000
	<u>448,000</u>	<u>404,800</u>
DEFERRED INCOME TAXES	<u>-</u>	<u>86,000</u>
SHAREHOLDERS' EQUITY		
Share capital		
Authorized		
3,250,000 Common shares of \$5 each		
Issued		
3,012,295 Common shares	15,061,500	15,061,500
Deficit	3,389,500	1,812,300
	<u>11,672,000</u>	<u>13,249,200</u>
	<u>\$12,120,000</u>	<u>\$13,740,000</u>

COAST COPPER COMPANY, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1971

(with comparative figures for 1970)

	<u>1971</u>	<u>1970</u>
SOURCE		
Net (loss) earnings for year	\$ (372,300)	\$ 263,700
Add		
Amortization	199,800	238,200
Depreciation	691,900	681,000
Depletion	120,000	120,000
Deferred income taxes	(86,000)	86,000
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Funds from operations	553,400	1,388,900
Sale of houses less non-current portion of mortgages receivable	9,100	12,800
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	562,500	1,401,700
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APPLICATION		
Capital expenditures		
Property	-	1,200
Buildings and equipment	58,000	356,800
Mine development	-	(68,000)
Dividends	1,204,900	1,355,500
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	1,262,900	1,645,500
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DECREASE IN WORKING CAPITAL	\$ 700,400	\$ 243,800
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WORKING CAPITAL

	<u>December 31,</u>		<u>Increase</u>	<u>Increase</u>
	<u>1971</u>	<u>1970</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Current assets	\$2,022,700	\$2,679,900	\$ (657,200)	\$ 54,200
Current liabilities	448,000	404,800	43,200	(298,000)
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	\$1,574,700	\$2,275,100	\$ (700,400)	\$ (243,800)
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COAST COPPER COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1971

1. DIRECTORS' AND OFFICERS' REMUNERATION

Production, selling and general expenses include total remuneration of \$260 paid to seven (all) directors. The three officers received no remuneration from the company; two officers were also directors.

2. DEPRECIATION AND DEPLETION

Depreciation on land, buildings and equipment is computed over a thirteen year period from July 1, 1969. Expenditures on the Benson Lake mining property, \$1,500,000, are amortized against earnings by charges for depletion over thirteen years from July 1, 1969, the estimated life of the mine. No depletion is provided in the case of the original mining property carried at a cost of \$1,067,000, represented substantially by the par value of shares issued therefor.

AUDITORS' REPORT

To the Shareholders of
Coast Copper Company, Limited

We have examined the balance sheet of Coast Copper Company, Limited as at December 31, 1971 and the statements of earnings and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants.

Vancouver, B. C.
January 29, 1972

